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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ARIZONA CORPORATION COMMISSION

DOCKETED

LEA MÁRQUEZ PETERSON - Chairwoman
 SANDRA D. KENNEDY
 JUSTIN OLSON
 ANNA TOVAR
 JIM O'CONNOR

MAY 5 2021

DOCKETED BY

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In the matter of

Frederick Arias, an unmarried man,

Bradley J. Tennison and Deborah Tennison,
husband and wife,The Joseph Project, an unincorporated
association

Respondents.

) DOCKET NO. S-21078A-19-0143

) DECISION NO. 77978

) ORDER TO CEASE AND DESIST, ORDER
) FOR RESTITUTION, ORDER FOR
) ADMINISTRATIVE PENALTIES AGAINST
) FREDERICK ARIAS AND THE JOSEPH
) PROJECT

On June 28, 2019, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, and Order for Administrative Penalties (the "Notice") against Respondents Frederick Arias ("Arias") and The Joseph Project.

On July 16, 2019, the Division served a copy of the Notice upon The Joseph Project by leaving a copy with Bradley Tennison, its representative. On January 4, 2021, the Division served a copy of the Notice upon Arias by publication.

No Request for Hearing or Answer to the Notice has been filed by Arias or The Joseph Project as of March 8, 2021.

I.

FINDINGS OF FACT

1. Frederick Arias ("Arias") was a resident of Arizona at all relevant times.

1 2. The Joseph Project is an unincorporated association which operated within or from
2 Arizona during all relevant times.

3 3. Arias has been the "first director" of The Joseph Project since December 23, 2015.

4 4. Arias has also been the treasurer of The Joseph Project since at least December 23, 2015.

5 5. Arias and The Joseph Project may be referred to collectively as "Respondents."

6 6. From at least October 2015 through September 2016, Respondents engaged in a
7 fraudulent securities offering which raised at least \$9,450,000 from at least nine investors by preying
8 upon their trust, their faith, and their desire to help others.

9 7. Following a series of meetings during the summer of 2015, Arias created The Joseph
10 Project, a pooled investment vehicle purported to generate returns while benefitting religious or
11 humanitarian projects.

12 8. In or around October 2015, Respondents began to solicit investments in The Joseph
13 Project, largely from Tennison's clients and former clients.

14 9. Respondents continued to offer investments in The Joseph Project through at least
15 September 2016.

16 10. From December 2015 through September 2016, Respondents sold investments in The
17 Joseph Project to at least nine investors ("Investors") in exchange for at least \$9,450,000.

18 11. The Investors were provided with little or no documentation regarding The Joseph
19 Project.

20 12. During the offering process, Respondents made the following false representations to
21 certain Investors:

- 22 a) The investment proceeds would be placed in a bank account and would remain
23 in that account;
- 24 b) The investment proceeds would be used only as collateral;
- 25 c) The investment was 100% safe;
- 26

- d) Banks would use the investment proceeds for after-hours trading that would generate returns;
- e) The profits generated by the bank trading programs would be distributed to the Investors in the form of a return given the term "enhancement";
- f) The profits generated by the bank trading programs would also be used for religious and humanitarian projects;
- g) After one year, the Investors would receive their investment principal along with any accrued "enhancement"; and
- h) Tennison had invested \$1,000,000 of his own money in The Joseph Project or a similar investment and had been receiving a 10% return monthly.

13. The Investors had no authority to manage or control the operations of The Joseph Project, nor did they have any duties or responsibilities.

14. As the treasurer of The Joseph Project, Arias had sole authority to manage the investment proceeds received by The Joseph Project.

15. Each of the investments in The Joseph Project was wired to a single bank account, where it was pooled with investments from other Investors.

16. Arias was also the sole signor on the bank account used by The Joseph Project to accept investment proceeds.

17. Arias and The Joseph Project misappropriated most of the funds invested in The Joseph Project by the Investors, including:

- a) \$500,000 wired to a bank account in the Czech Republic in May 2016;
- b) \$5,000,000 wired to a Norwegian bank account in June 2016;
- c) \$2,500,000 wired to an Australian bank account in April 2017; and
- d) At least \$695,227 paid to Shield Defense Systems, Inc., a corporation controlled by Arias.

18. None of the Investors have received the promised returns.

19. Of the \$9,450,000 invested in The Joseph Project, only \$375,000 has been returned to the Investors.

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents Arias and The Joseph Project offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondents Arias and The Joseph Project violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents Arias and The Joseph Project violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondents Arias and The Joseph Project violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

8. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

9. Arias directly or indirectly controlled The Joseph Project within the meaning of A.R.S. § 44-1999. Therefore, Arias is jointly and severally liable under A.R.S. § 44-1999 to the same extent as The Joseph Project for any violations of A.R.S. § 44-1991.

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III.**ORDER**

THEREFORE, on the basis of the Findings of Fact, and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Arias and The Joseph Project, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents Arias and The Joseph Project, jointly and severally, shall pay restitution to the Commission in the principal amount of \$9,075,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission. Any principal amount outstanding shall accrue interest at the rate of 10 percent per annum from the date of purchase until the date of this Order, subject to any legal offsets, pursuant to A.A.C. R14-4-308(C).

IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H. 15 or any publication that may supersede it on the date that the judgment is entered.

The Commission shall disburse the funds on a pro-rata basis to investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents Arias and The
2 Joseph Project, jointly and severally Bradley Tennison, shall pay an administrative penalty in the
3 amount of \$75,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of
4 Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of
5 Arizona." Any amount outstanding shall accrue interest as allowed by law.

6 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents Arias and The
7 Joseph Project, jointly and severally, shall pay an administrative penalty in the amount of \$60,000 as
8 a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in
9 full on the date of this Order. Payment shall be made to the "State of Arizona." Any amount
10 outstanding shall accrue interest as allowed by law.

11 IT IS FURTHER ORDERED that the administrative penalties ordered in the preceding
12 paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per
13 annum that is equal to one per cent plus the prime rate as published by the board of governors of the
14 federal reserve system in statistical release H. 15 or any publication that may supersede it on the date
15 that the judgment is entered.

16 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
17 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
18 shall be applied to the penalty obligation.

19 IT IS FURTHER ORDERED, that if Respondents fail to comply with this Order, the
20 Commission may bring further legal proceedings against Respondents, including application to the
21 superior court for an order of contempt.

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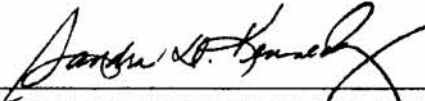
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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

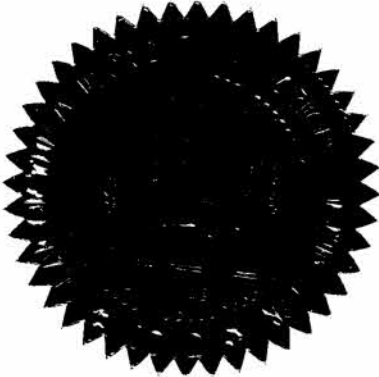

CHAIRWOMAN MARQUEZ PETERSON


COMMISSIONER KENNEDY


COMMISSIONER OLSON


COMMISSIONER TOVAR


COMMISSIONER O'CONNOR



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
Executive Director of the Arizona Corporation Commission,
have hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of Phoenix,
this 5 day of May, 2021.


MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

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This document is available in alternative formats by contacting Carolyn D. Buck, ADA
Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov.

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SERVICE LIST FOR: Frederick Arias et al.

Frederick Arias
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Apt. G203
Kirkland, WA 98033
Respondent

The Joseph Project, an
unincorporated association
2851 E. Camellia Dr.
Gilbert, AZ 85296
Respondent